

Rethinking Hyperbolic Discounting (or, The Percentage Fallacy, Continued)

In a famous experiment, some people are asked to choose between \$100 today or \$120 tomorrow. Many choose the first. Meanwhile, some people are asked to choose between \$100 sixty days from now or \$120 sixty-one days from now. Almost everyone choose the latter. The puzzle is this: why are people willing to sacrifice \$20 to avoid waiting a day right now but not in the future?

The standard explanation is hyperbolic discounting: humans tend to weigh immediate effects much more strongly than distant ones. But I think the actual psychological effect at work here is just [the percentage fallacy](#). If I ask for the money now, I may have to wait 60 seconds. But if I get it tomorrow I have to wait 143900% more. By contrast, waiting 61 days is only 1.6% worse than waiting 6 days. Why not wait an extra 2% when you get 16% more money for it?

Has anyone done a test confirming the percentage fallacy? A good test would be to show people treat the \$100 vs. \$120 tradeoff as equivalent to the \$1000 to \$1200 tradeoff.

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